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SUBJECT: U.S. DAIRY IN PUNJAB: A \$34 MILLION SUCCESS STORY

11. (SBU) Summary: Sweetwater International's Punjab dairy operation demonstrates how private business can lead economic development in Pakistan without government assistance. The firm's methods might provide a replicable model for modern milk production in the region. Acting Principal Officer (A/PO) and Econoff observed Sweetwater's progress during an August 1 tour of an existing 100-animal model dairy farm in Lahore, and a 1,000-head dairy under construction in Okara District. Company officials said the enterprise represented a \$34 million investment. By applying scientific management to its entire production chain, Sweetwater representatives claimed the dairy can yield 50 lbs of milk per animal per day, two to three times the typical dairy averages in Pakistan. The company's willingness to share best practices with others and invest heavily in human resources can make a lasting contribution to Punjab's agricultural development. End Summary.

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AHEAD OF THE HERD  
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12. (SBU) Sweetwater International is a Utah-based company established to provide on-farm water and soil management systems. In a March 31 meeting, Sweetwater Pakistan Country Manager Ahmed Iqbal Saeed told Econoff that the company had seen an opportunity to use its products to enhance dairy output by dramatically improving the quality of feed. The firm decided to start with a demonstration farm of 100 animals to test methods, solve problems, and raise capital from local investors for a larger facility. Even at 100 head, the model farm ranked among the largest modern cow dairies in the country.

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"COWS ARE THE LAST THING YOU NEED IN A DAIRY"  
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13. (U) Saeed explained that to achieve optimal milk production, one must carefully manage all the other inputs, from the nutrient content of the feed to a physical environment for cow comfort. "Cows are the last thing you need in a dairy," he said. As a pioneer in Pakistan's milk production industry, Sweetwater had to create domestic sources for most of its needs. Whenever possible, the firm partnered with local vendors and helped them manufacture to sufficient standards. Sweetwater transferred the technology of their own proprietary irrigation filtration pumps to fabricate them in country. It built a small

laboratory for testing water, soil, milk, and feed crops. The company also designed a unique shed for cow comfort and waste management. The only imported system in the dairy is the milking and chilling apparatus, which is from Swedish based DeLaval, which also provides maintenance.

14. (SBU) Producing quality feed presented the biggest hurdle. Saeed admitted Sweetwater had not had a lot of success contracting that out. Sweetwater tried collaborating with local farmers who offered assurances of working in accordance with the company's specifications, but Saeed said, "the lab tells us they aren't." In the end, the firm decided it needed to grow its own corn and sorghum, and make its own silage. In doing so, it brought relatively advanced farming techniques to Punjab including furrow irrigation, specific measurements for the spacing of plants, and machinery for bagging silage and preparing pre-mixed feed - equipment that Sweetwater claims are the only ones of their kind in the country. Sweetwater's approach dramatically reduced the consumption of water, improved crop yields and nutrient value, and enhanced soil quality. No longer just a dairy, Sweetwater runs some of the most progressive cropland in the province.

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INVESTING IN PEOPLE  
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15. (U) "We want to treat our whole organization like we treat our cows: very carefully," said Sweetwater Chairman Franklin Johnson. Because Pakistan's milk production industry is so fragmented, Sweetwater knew it would have to train all of its own workers for an industrial operation. In 2006, with the

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model farm just getting started, Sweetwater initiated its own Dairy Management Seminar and internship program for animal scientists and business graduates. Sweetwater offers jobs to those who complete the course, and prove capable of working on a farm. The need for training went all the way down to the farmhands who work the animals and the crops. Only a handful of full-time employees are foreigners, and they are tasked with training Pakistani hires for the future. The dairy is capital intensive where it makes sense but labor is cheap in Punjab, so some activity that is automated in modern dairies, such as placing and removing milking cups on teats, is still done by hand.

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FINALLY, THE COWS  
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16. (SBU) The traditional milk animals of Pakistan are local cow breeds and the water buffalo. The buffalo is well adapted to the climate but has limited production potential; moreover, as Johnson put it, "we don't know anything about buffalo dairy farming, so we stuck to what we know." Sweetwater settled on a Holstein-Sahiwal cross, purchased locally. The Sahiwal is a domestic breed acclimated to the Punjab heat, while the Holstein is famed for milk yield. The cows are put on a careful diet well before preparing them for calving and lactation. After successfully building a herd of 100 head for the model dairy, Sweetwater has now accumulated some 800 head for the larger dairy. The model dairy manager said they have already achieved their target annualized average of 50 lbs of milk per animal per day, despite the challenge of keeping the cows comfortable in the Punjab heat and humidity. Johnson and Saeed said that government dairy and livestock officials who visited the model farm refused to believe the production figures.

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"WE ARE HERE FOR THE LONG HAUL" - NO NEED FOR GOVERNMENT  
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17. (SBU) Sweetwater claimed that the firm and local investors will have contributed \$34 million to the Punjab economy after completion of the 1,000 animal dairy. Johnson argued that the

investment made sense because "we are here for the long haul." He added that the company's Board of Directors was pleased with their progress. Sweetwater has offered general training for dairy farmers, sometimes coordinated by the Small and Medium Enterprise Development Authority (SMEDA) Dairy and Livestock Sector division, but on the whole Saeed remarked that the firm prefers to "keep a low profile in Pakistan." Sweetwater has little or no contact with federal or provincial officials responsible for the dairy industry. Saeed and Johnson shrugged them off as not particularly helpful, and irrelevant to establishing a commercially competitive business.

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COMMENT: PRIVATE SECTOR INVESTMENT LEADS THE WAY  
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18. (SBU) Comment: Sweetwater's progress is indeed impressive, but it remains to be seen whether the firm's approach is viable on a larger scale. Nevertheless, Sweetwater has already introduced better farming practices and enhanced the human capital of Lahore and Okara districts. The firm has pioneered an important emerging industry, and made a meaningful contribution to Pakistan's agriculture sector. Johnson proposed that their model farm could be the basis of a self-contained dairy kit to use as a rural development project, perhaps organized as a village cooperative, and deployed in Afghanistan or targeted districts in Pakistan. Sweetwater was willing to share their techniques and technology with aid organizations, and to assist with on-site training. This kind of strategic corporate social responsibility demonstrates the multiplier effect that successful private enterprise can have on overall development and poverty eradication efforts, and Sweetwater might be a valuable partner for future U.S. assistance programs in the region. End Comment.  
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